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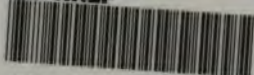
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# Elementary Bookkeeping

BY W. G. DAY,

CHARTERED ACCOUNTANT

(OF THE FIRM OF HARRY DAY & CO., WORCESTER),

*Associate of Institute of Secretaries; Lecturer on Bookkeeping at the  
Victoria Institute, Worcester, and the Science School,  
Kidderminster.*

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## PREFACE.

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IN giving lessons in Bookkeeping I have found a great difficulty in selecting a suitable text-book for the use of the Students. There are many excellent works on the subject, but they are either too expensive or not simple enough for the pupils in the Technical Classes. It is necessary for a student who is to make use of Bookkeeping in Commercial life that he should have only business transactions to work out, and not complicated problems, such as are set out in some text-books. It is a notorious fact that Bookkeeping as taught in schools is a failure, and this is due, no doubt, to a large extent to the need of a suitable text-book.

I am very surprised to find that a large number of clerks who are doing Bookkeeping nearly every day of their lives know so little of the subject, and it is for them and for the evening student that this book is written.

THE AUTHOR.

9 FOREGATE STREET, WORCESTER.

*May 1901.*

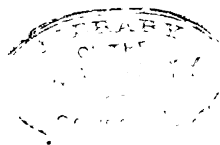




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## BOOKKEEPING.

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THE chief difficulty and stumbling-block in bookkeeping is the most important one—that is, that every transaction requires two entries, a debit and a credit entry, and it is essential to remember this all the way through. The idea is that every transaction involves a “giver” and a “receiver,” and a very simple example will illustrate this. If I sell goods to Brown, he is my debtor—that is, he is the receiver—and I (in the form of some account) am the giver or creditor. The student must be very careful to treat each transaction separately, for though, as far as the example given is concerned, Brown is my debtor, I may have previously owed him money, and, as far as the balance of his account is concerned, I may be his creditor. It is this great difficulty which so often proves a stumbling-block.

The Ledger is the most important book in bookkeeping. It is divided into two parts, the left-hand side being the debtor side (written *Dr.*), and the right-hand side the creditor side (written *Cr.*). I give a simple ruling of the Ledger below.

<i>Dr.</i>					<i>Cr.</i>				

It is quite possible for a man in business to keep all his transactions in a Ledger without using any other books of account. It is, however, found more convenient for many reasons to subdivide the transactions into other books called the



The words "To," meaning debtor to; and "By," meaning creditor by, are written before the entries in the Cash Book and Ledger.

It is, perhaps, useful to show here that the Sales Book and Purchases Book are parts of the Ledger, as explained on page 8.

The following are transactions of H. Pudge for January 1 1900:—

## PURCHASES JOURNAL.

1900				£	s	d	
Jan. 1	Stormberg & Co., Goods (details)	..	..	120	0	0	A
	French Pattern Co., do.	..	..	150	0	0	B
	Leaven Cole & Co., do.	..	..	130	0	0	C

## SALES DAY BOOK.

Jan. 1						£	s	d
	F. Brook, Goods (details here given) ..	..	..	..	D	10	0	0
	L. Same, do. do. ..	..	..	..	E	15	0	0
	T. Turps, do. do. ..	..	..	..	F	220	0	0

If they had been entered in the Ledger direct to Goods Account they would have appeared as follows:—

Dr.		GOODS ACCOUNT.				Cr.			
Jan. 1	Stormberg & Co... A	£	s	d	Jan. 1	F. Brook .. .. D	£	s	d
	French Pattern Co. B	120	0	0		L. Same .. .. E	10	0	0
	Leaven Cole & Co. C	150	0	0		T. Turps .. .. F	15	0	0
		130	0	0			220	0	0

The student will notice that Purchases, being additions to stock, appear on the debit side of Goods; and Sales, being reductions in stock, are credits to Goods. Goods sold for cash are not usually entered in the Sales Book, but posted from the Cash Book to Ledger, and so with goods bought for cash.

The best way of keeping the Cash Book is to enter all the money received in Column 2 (see page 8), to add up each day's takings, and to put the total in Column 3, that representing the

amount paid to bank. As far as payments go, all are made by cheque, except in the case of petty cash, for which a cheque is drawn at intervals.

It is necessary to treat cash as a person who must be debited with all he receives and credited with all he spends. Entries to the debit of cash go to the credit of some other account in the Ledger, and entries to the credit of cash appear to the debit of some account in the Ledger. This, of course, completes the double entry. If I receive either goods or cash, or anything of value, from a man, I must credit him; if I send goods or cash, or anything of value, to a person, I must debit that person.

The following transactions are entered in the Ledger only in order to give the student a clear understanding as to the items of debit and credit.

John Lewis has the following transactions during January:—

				£	s	d
A	Bought Goods from F. Pollin	..	..	20	0	0
B	„ „ „ R. Suter	..	..	50	0	0
C	Sold Goods to L. Pieter	..	..	20	0	0
D	„ „ for Cash	..	..	60	0	0
E	Bought Goods for Cash	..	..	20	0	0
F	Bought Goods of F. Sea	..	..	50	0	0
G	Sold Goods to Rodber	..	..	100	0	0
H	Paid Cash to F. Pollin	..	..	20	0	0
I	Received Cash from L. Pieter	..	..	10	0	0
J	Paid Wages	..	..	10	0	0
K	Sold Goods to Turpin	..	..	20	0	0
L	Bought Goods of Larkin	..	..	25	0	0
M	Paid Rent	..	..	15	0	0
N	Received Cash from Rodber	..	..	100	0	0
O	Bought New Plant from Sorter	..	..	50	0	0
P	Received Cash from Turpin	..	..	10	0	0
Q	Bought Goods of Lemon	..	..	200	0	0
R	Gave Lemon Bill	..	..	150	0	0
S	Sold Goods to Pieter	..	..	110	0	0
T	Received Bill from Pieter	..	..	100	0	0
U	Allowed Discount	..	..	10	0	0



I have not given dates, but letters, which will enable the student to trace the entries in the Ledger.

The explanation of the items is as follows:—

(A) As Lewis receives something of value from Pollin he must credit him in the Ledger and debit Goods, as it increases the stock. B, F, L, Q, are similar items; the individuals are each credited, and Goods Account debited.

(C) Lewis sends goods to Pieter, and must debit him with the value and credit Goods, because it reduces the stock.

G, K, S, are similar items.

(D) Lewis converts goods into cash by taking some stock and selling it for cash; he must debit Cash and credit Goods, as it reduces the latter.

(E) Another cash transaction; but as Stock is increased, Goods must be debited and Cash credited.

(H) In this case Cash is diminished by £20, so he credits it and debits Pollin, who receives the money.

(I) Cash is increased, so must be debited; and Pieter, who is the giver, must be credited.

N is a similar item.

(J) Paid cash for wages. He must credit Cash, as it reduces the balance in hand, and he must debit some account of expenses—such as Office Expenses or Wages. (All expenses are posted to the debit in the Ledger.)

(M) This is another expense, and Cash is credited and Office Expenses debited.

(O) Plant is here an asset, and must be debited; and Sorter, from whom it was obtained, will be credited.

(R) Instead of Lewis paying cash to Lemon he gives a bill, which is an order promising to pay a certain amount at a future date. Lemon must be debited; but it is not right to credit Cash, but an account must be opened for Bills Payable, and



this must be credited. "Bills Payable" means "persons to whom I owe money on bills."

(I) In this case Pieter, being the giver, must be credited and Bills Receivable debited, Bills Receivable being an account for persons who owe money on bills. Some traders pay their bills direct to the bank and get them discounted, but this is, of course, expensive, as the bankers make a charge.

(U) This being an allowance to Pieter, he must be credited and Office Expenses debited, this being an item of expense.

The Ledger Accounts will be as follows:—

#### GOODS ACCOUNT.

			£	s	d				£	s	d
To F. Pollin ..	A		20	0	0	By Pieter ..	C		20	0	0
" S. Suter ..	B		50	0	0	" Cash ..	D		60	0	0
" Cash ..	E		20	0	0	" Rodber ..	G		100	0	0
" F. Sea. ..	F		50	0	0	" Turpin ..	K		20	0	0
" Larkin ..	L		25	0	0	" Pieter ..	S		110	0	0
" Lemon ..	Q		200	0	0						

#### F. POLLIN.

			£	s	d				£	s	d
To Cash .. ..	H		20	0	0	By Goods .. ..	A		20	0	0

#### SUTER.

			£	s	d				£	s	d
						By Goods .. ..	B		50	0	0

#### CASH ACCOUNT.

			£	s	d				£	s	d
To Goods .. ..	D		60	0	0	By Goods .. ..	E		20	0	0
" Pieter .. ..	I		10	0	0	" Pollin .. ..	H		20	0	0
" Rodber .. ..	N		100	0	0	" Wages .. ..	V		10	0	0
" Turpin .. ..	P		10	0	0	" Rent .. ..	M		15	0	0

## F. SEA.

			£ s d		By Goods .. .. T	£ s d 50 0 0
--	--	--	-------	--	------------------	-----------------

## LARKIN.

			£ s d		By Goods .. .. L	£ s d 25 0 0
--	--	--	-------	--	------------------	-----------------

## LEMON.

To Bills Payable	R	£ s d 150 0 0		By Goods .. .. Q	£ s d 200 0 0
------------------	---	------------------	--	------------------	------------------

## PIETER.

To Goods .. .. C	£ s d 20 0 0		By Cash .. .. I	£ s d 10 0 0
" Do. .. .. S	110 0 0		" Bill Receivable .. T	100 0 0
			" Discount .. U	10 0 0

## RODBER.

To Goods .. .. G	£ s d 100 0 0		By Cash .. .. N	£ s d 100 0 0
------------------	------------------	--	-----------------	------------------

## TURPIN.

To Goods .. .. K	£ s d 20 0 0		By Cash .. .. P	£ s d 10 0 0
------------------	-----------------	--	-----------------	-----------------

## OFFICE EXPENSES.

		£	s	d		£	s	d
To Cash Wages ..	V	10	0	0				
Do. Rent	M	15	0	0				
Pieter Discount	U	10	0	0				

## BILLS RECEIVABLE.

		£	s	d		£	s	d
To Pieter .. ..	T	100	0	0				

## BILLS PAYABLE.

		£	s	d			£	s	d
					By Lemon ..	R	150	0	0

If the student will take the trouble to add up the debits and credits he will find them agree, and so the double entry will be proved. We have not yet touched upon a very important part of bookkeeping—the Capital Account. When a person opens a business he usually makes out a statement of his assets and liabilities, and this is called a Balance Sheet, and these items form the opening entries for his books. We will take an example. Henry Triumph finds his affairs on January 1 as follows:—

Assets or possessions:—						£	s	d
Due to him by J. Pudge ..	..	..	..	(1)		20	0	0
Do. H. Sampson ..	..	..	..	(2)		50	0	0
Machinery and Plant ..	..	..	..	(3)		1,000	0	0
Stock .. ..	..	..	..	(4)		500	0	0
Cash .. ..	..	..	..	(5)		100	0	0
Liabilities or moneys due by him:—								
Bills payable .. ..	..	..	..	(6)		100	0	0
Due by him to Furber & Co. ..	..	..	..	(7)		100	0	0

The student should be very careful to understand that a Balance Sheet is a statement of assets and liabilities; the surplus of assets over liabilities represents Capital.

To open the accounts in the Ledger it is first necessary to start an account headed :—

## H. TRIUMPH—CAPITAL ACCOUNT.

[illegible]

You will see that Triumph is credited with what belongs to him and debited with the amounts he owes, the balance being his capital. As Triumph credits his account with various assets he must open an account for each in the Ledger, the entry being on the *Dr.* side, and the individuals to whom he owes money must be credited in the Ledger. (These appear on pages 20 and 21.)

Students often find great difficulty in seeing why Capital appears under the heading Liabilities in the Balance-Sheet, but if they will remember that it is only a balance they will soon get over the difficulty.

We have to see how capital is affected by trading, and we will enter the following transactions of Triumph and see the result.

I commence with the number "8," as the first seven were capital items, as on page 15:—

				£	s	d
8	Bought Goods from Pudge	..	..	50	0	0
9	Sold Goods to Sampson..	..	..	10	0	0
10	Bought Goods from Severn	..	..	620	0	0
12	Paid Rent .. .. .	..	..	50	0	0
13	Sold Goods to Teme & Co.	..	..	100	0	0
14	Do. to Lug & Co.	..	..	300	0	0
15	Received for Cash Sale ..	..	..	10	0	0
16	Gave Bill to Severn	..	..	100	0	0
17	Received Bill from Teme	..	..	100	0	0
18	Paid for Stationery and Books ..	..	..	10	0	0
19	Sold to Philip Bros. Goods	..	..	100	0	0
20	Accepted Severn's Draft	..	..	400	0	0
21	Bought Plant for Cash ..	..	..	50	0	0
22	Sold to Verniew Bros. Goods	..	..	20	0	0
23	Received Cash from them	..	..	18	10	0
	Allowed Discount	..	..	1	10	0
24	Teme's Bill returned Dishonoured	..	..	100	0	0
25	Bought Goods from Ribble & Son	..	..	250	0	0
26	Accepted their Draft for the Amount ..	..	..			
27	Received Cash from Sampson ..	..	..	10	0	0
28	Paid Rates and Taxes	..	..	5	10	0
29	Paid Bills payable due	..	..	100	0	0
30	Paid Furber	..	..	90	0	0
	Deducted Discount	..	..	10	0	0
31	Drew for Private Use	..	..	20	0	0
32	Received from Sampson	..	..	50	0	0

The entries will appear in the various books as below:—

#### BOUGHT JOURNAL.

			£	s	d	£	s	d
Rudge (here description, price, &c.)	..	8				50	0	0
Severn Do.	..	10				620	0	0
Ribble & Son Do.	..	25				250	0	0

This book is added up at each quarter, or other period, and the total posted to the debit of Purchases or Goods Account in the Ledger.

## SALES DAY BOOK.

				£	s	d	£	s	d
Sampson (description, &c.)	..	..	..	9			10	0	0
Teme & Co. Do.	..	..	..	13			100	0	0
Lug & Co. Do.	..	..	..	14			300	0	0
Philip Bros. Do.	..	..	..	19			100	0	0
Verniew Bros. Do.	..	..	..	22			20	0	0

This book is cast in the same way as the former, and the total posted to the credit of either Sales or Goods in the Ledger.

## LEDGER.

Dr.	SEVERN (Address and Description).										Cr.
To Bills Payable ..	16	£	s	d	By Goods ..	10	£	s	d		
" Do. ..	20	100	0	0			620	0			
" Balance ..		400	0	0							
		120	0	0							
		£620	0	0			£620	0	0		
					By Balance ..			120	0	0	

## RIBBLE &amp; SON.

To Bills Payable ..	26	£	s	d	By Goods ..	25	£	s	d
		250	0	0			250	0	0

## TEME &amp; CO.

To Goods ..	13	£	s	d	By Bills Receivable	17	£	s	d
" Bill returned ..	24	100	0	0			100	0	0
		100	0	0					

## LUG &amp; CO.

To Goods ..	14	£	s	d			£	s	d
		300	0	0					

## CASH BOOK.

	Discount	Details	Bank		*	Discount	Bank
	£ s d	£ s d	£ s d			£ s d	£ s d
To Triumph, Capital A/c.	5	..	100 0 0	By Rent ..	12	..	50 0 0
" Sales ..	15	..	10 0 0	" Stationery, &c. ..	18	..	10 0 0
" Vernieuw ..	23	1 10 0	18 10 0	" Plant ..	21	..	50 0 0
" Sampson ..	27	..	40 0 0	" Rates, &c. ..	28	..	5 10 0
" ..	32	..	30 0 0	" Bills Payable ..	29	..	100 0 0
" Balance ..	..	..	137 0 0	" Furber & Co. ..	30	10 0 0	90 0 0
			£325 10 0	" Drawings ..	31	..	20 0 0
	£1 10 0			By Balance ..	..	£10 0 0	£325 10 0
							137 0 0

\* Some people have an additional column here for voucher numbers—a plan I much recommend. In ordinary business the items Nos. 12, 18, 28, would appear as names of persons to whom the money was paid, and the amount posted to the debit of the persons—they would be credited through a Purchases Journal, or, better still, a "Credit Book," which I have explained on page 34.

## PHILIP BROS.

To Goods.. ..	19	£	s	d			£	s	d
		100	0	0					

## VERNIEW BROS.

To Goods.. ..	22	£	s	d	By Cash .. ..	23	£	s	d
		20	0	0	" Discount ..	23	18	10	0
							1	10	0
		£20	0	0			£20	0	0

## RENT, RATES, &amp;c.

To Cash—Rent ..	12	£	s	d			£	s	d
" Do. Rates..	28	50	0	0					
		5	10	0					

## BOOKS AND STATIONERY.

To Cash .. ..	18	£	s	d			£	s	d
		10	0	0					

## CASH SALES.

To Goods Account	L	£	s	d	By Cash .. ..	15	£	s	d
		10	0	0			10	0	0

## BILLS RECEIVABLE.

To Teme .. ..	17	£	s	d	By Teme — Dis-		£	s	d
		100	0	0	honoured Bill	23	100	0	0



## BILLS PAYABLE.

To Cash .. ..	29	£	s	d	By Triumph, Capital Account	6	£	s	d
" Balance .. ..	..	100	0	0	" Severn .. ..	16	100	0	0
		750	0	0	" Do. .. ..	20	400	0	0
					" Ribble .. ..	25	250	0	0
							£850	0	0
					By Balance .. ..	..	750	0	0

## DRAWINGS ACCOUNT.

To Cash .. ..	31	£	s	d		£	s	d
		20	0	0				

## DISCOUNT.

To Cash .. ..	..	£	s	d	By Cash .. ..	..	£	s	d
" Profit and Loss Account .. ..	..	1	10	0		..	10	0	0
		8	10	0			£10	0	0

## GOODS ACCOUNT.

To H. Triumph, Capital A/c..	4	£	s	d	By Sundries, Sales Book .. ..	..	£	s	d
" Sundries, Bought j/rn'l	..	500	0	0	" Cash Sales .. ..	L	530	0	0
" Profit and Loss Account .. ..	..	920	0	0	" Stock in hand down .. ..	..	1,500	0	0
		620	0	0			2,040	0	0
To Stock in hand. ..	£	1,500	0	0					

## FURBER &amp; CO.

To Cash .. ..	30	£	s	d	By H. Triumph Capital A/c..	7	£	s	d
" Discount .. ..	30	90	0	0		..	100	0	0
		10	0	0			£100	0	0

## J. PUDGE.

To Triumph Capital A/c..	I	£	s	d	By Goods ..	8	£	s	d	
" Balance ..	..	20	0	0			50	0	0	
		30	0	0						
		<u>£50</u>	0	0			<u>£50</u>	0	0	
					By Balance ..	..		30	0	0

## H. SAMPSON.

To Triumph		£	s	d	By Cash ..	27	£	s	d
Capital A/c..	2	50	0	0	" Do. ..	32	10	0	0
" Goods ..	9	10	0	0			50	0	0
		<u>£60</u>	0	0			<u>£60</u>	0	0

## MACHINERY AND PLANT.

To Triumph			£	s	d				£	s	d
Capital A/c..	3	1,000	0	0							
" Cash ..	21	50	0	0							

In making out a Profit and Loss Account for the period, the first thing H. Triumph has to do is to prepare a Trial Balance, or a list of his debits and credits. The balancing of the Ledger sometimes gives a little trouble to students who are not accustomed to it, but is really very simple. First add the greater side, then the lesser, and the difference goes under the lesser side, and the balance then is transferred to the opposite side, thus:—

## LEDGER ACCOUNT.

To Debits .. .. .	£	s	d	By Credits .. .. .	£	s	d
	500	0	0	" Balance .. .. .	300	0	0
					200	0	0
	£500	0	0		£500	0	0
To Balance .. .. .	200	0	0				

The trial balance which Triumph makes out is as follows:--

TRIAL BALANCE.

		Debits.			Credits.		
		£	s	d	£	s	d
H. Triumph—Capital Account	.. .. .	..	..	..	1,470	0	0
Bills Payable	.. .. .	..	..	..	750	0	0
Pudge	.. .. .	..	..	..	30	0	0
Machinery and Plant	.. .. .	1,050	0	0			
Goods in Stock	.. .. .	1,500	0	0			
Profit on Sale of	.. .. .	..	..	..	620	0	0
Cash Balance (due to Bankers)	.. .. .	..	..	..	137	0	0
Teme & Co.	.. .. .	100	0	0			
Lug & Co.	.. .. .	300	0	0			
Rent, Rates, &c...	.. .. .	55	10	0			
Phillip Bros.	.. .. .	100	0	0			
Books and Stationery	.. .. .	10	0	0			
Drawings	.. .. .	20	0	0			
Discounts, balance of	.. .. .	..	..	..	8	10	0
Seyern	.. .. .	..	..	..	120	0	0
		£3,135	10	0	£3,135	10	0

In the trial balance the debit balances from the Ledger, of course, appear under the head of "Debits," and *vice versa*.

The Goods Account needs an explanation. The sales only amounted to £530, whereas the purchases were £920, and yet there was a credit balance on the account in the Ledger!

The explanation is simple. There was stock in hand, which had to be reckoned up on sheets or in a book, amounting to £1,500.

As Goods Account is debited with the purchases, it is only fair that it should have credit for the stock in hand.

The student will at once see that a man may buy only £200 worth of goods and sell the same for £1,000; after some process has been gone through the goods become more valuable.

The Cash Book balance is a credit one; that means that the account at the bank is overdrawn. (In such cases the bank usually asks for some security, unless the overdraft is merely temporary.)

Having completed the trial balance, the next movement is to prepare the Profit and Loss Account and Balance Sheet from it.

This is how they will stand :—

### PROFIT AND LOSS ACCOUNT.

	£	s	d		£	s	d
To Rent, Rates, &c. ..	55	10	0	By Gross Profit on Goods ..	620	0	0
" Books, Stationery, &c. ..	10	0	0	" Discounts .. ..	8	10	0
" Balance, being net profit ..	563	0	0				
	<u>£628</u>	<u>10</u>	<u>0</u>		<u>£628</u>	<u>10</u>	<u>0</u>

### BALANCE SHEET.

<i>Capital and Liabilities.</i>				<i>Assets.</i>			
	£	s	d		£	s	d
To Bills Payable ..	750	0	0	By Machinery and Plant ..	1,050	0	0
" Bankers ..	137	0	0	" Stock ..	1,500	0	0
" Open Accounts—				" Debtors—			
Pudge .. 30	0	0		Teme .. 100	0	0	
Seyern .. 120	0	0		Lug Bros. .. 300	0	0	
			150	Philip Bros. .. 100	0	0	
" Capital .. 1,470	0	0					
Add Profit .. 563	0	0					
						500	0
2,033	0	0					
Less Drawings 20	0	0					
			<u>2,013</u>				
			<u>£3,050</u>				
						<u>£3,050</u>	<u>0</u>

In taking out the items from the trial balance the ones which affect the result of the trading are Profit and Loss items, the remainder Balance Sheet items. Any figures representing gain or loss, of course, are Revenue items. The gross profit will need no explanation, as the student will know that gross profit is here the difference between buying and selling price.

The discounts are a gain, as he received more than he gave.

The Rent, Rates Books, &c., represent expenses, and are therefore debits to Profit and Loss. In the Balance Sheet, which is merely a revised Capital Account of the proprietor, the

assets appear on the credit side, and the liabilities on the debtor, as in the Ledger Account of the owner. (Notice how the stock is focussed into Profit and Loss Account and Balance Sheet.)

The Capital is altered thus:—

Capital as it stood at the beginning, plus gain for the period, minus drawings or money drawn for private uses.

If the student will work out this exercise carefully he will find no difficulty in understanding the way in which the items of profit and loss and the items of assets and liabilities are focussed into their accounts.

It will be seen that a Profit and Loss Account is not an account of receipts and payments only, as it includes amounts accruing to the date of the account, even if they are not paid.

In addition to the items of expenditure appearing in the Profit and Loss Account, it is very usual to see two others, viz. :—

Bad Debts and Depreciation, the former representing debts that are known to be bad, and are therefore written off; and the latter representing an estimated sum for the “wear and tear” of assets—such as Machinery, Buildings, &c.

The following is a synopsis of the work given in the previous chapters:—

Purchases are entered in Purchases Journal, and each item credited to a Personal Account in the Ledger.

Sales are entered in the Sales Day Book, and the items posted to debit of persons in the Ledger. We then get the double entry:—

<i>Drs.</i>	<i>Crs.</i>
Total Purchases.	To Jones, Brown, Robinson, &c.
Smith, Perks, &c.	Total Sales.

All cash received goes to the debit of Cash (including Bank Account), all cash paid to the credit of Cash. The former is debited to individuals or accounts in the Ledger, the latter to the credit of ditto. We then get :—

<i>Drs.</i>	<i>Crs.</i>
Cash received.	Brooks, Tomes, &c.
Brown, Wages, Rent, &c.	Cash paid.

All expenses and assets appear as debits in the Ledger.

All credits represent receipts or liabilities, as, for example :—

<i>Drs.</i> ( <i>Expenses</i> )	<i>Crs.</i> ( <i>Receipts</i> )
Wages, Purchases, Rent, &c.	Sales, Work done, &c.
or	or
( <i>Assets</i> )	( <i>Liabilities</i> )
Machinery, Buildings, Debtors, &c.	Bills Payable, Creditors.

Capital is increased by trading where there is profit, and decreased by loss.

If there is no capital in the Balance Sheet, the person is termed "insolvent," and the deficit appears as a credit.

As I have purposely left out dates and details in the accounts, the student should remember in business to give the dates (month, day, and year) correctly, also to folio carefully all the items, and to index the Ledger fully. Make all entries in the Sales and Purchases Books as fully as possible, the word "Goods," of course, being no use, give a good description, as :—

Two Bars Cast Iron, No. 5 @ 70/-      ..      ..      £7   0   0







respectively ; D and E are posted to the debit of the individual accounts, which they close.

The Journal is very useful for cross entries from one account in the Ledger to another. Take an example. Suppose that Jones, who owes £100 on a bill due 25th June, fails to meet it, we must debit him and credit Bills Receivable ; but it is much better to do this by Journal entry, which will be thus :—

	£	s	d	£	s	d
Jones, <i>Dr.</i> .. .. .	100	0	0			
To Bills Receivable .. ..				100	0	0
(For Bill No.    returned this day.)						

This description of the entry is called the narration.

Take another example. John Thomas is wrongly debited with £100, which should be debited to Joseph Thomas. The Journal entry will be :—

Joseph Thomas *Dr.* to John Thomas.

And the narration would be simply :—

“ For error in posting.”

### PETTY CASH BOOK.

I made a passing reference to petty cash in the accounts, but there are one or two ways of keeping the same that, perhaps, would be useful to know. One way is to keep the petty cash as a Ledger Account, as well as having a Petty Cash Book, and draw cheques and debit the Petty Cash and credit Cash with the amounts. At the end of every month a summary of the payments is made, and the details are posted to the debit of Nominal Accounts in the Ledger and total to credit of Petty Cash in Ledger. A good way is to keep petty cash on the imprest system, which is to draw a cheque for £20, or other round sum, and at the end of the month add up the payments, and draw a

cheque for the exact amount spent, and post the expenses from the Cash Book direct. In this way the first cheque is restored, and the cashier is a debtor for the amount.

I give examples of both methods below. If the petty cash is kept on the columnar system it saves time and trouble.

Cheques	Date	Details		Total
£ s d 20 0 0	1901 Jan 1	Cheque from Cashier .. .. .		£ s d
	" 2	Books .. .. .		0 5 0
	" 3	Stamps .. .. .	1 10 0	
		Travelling Expenses .. .. .	0 15 0	
		Cleaning Offices .. .. .	0 7 6	
	" 4	Rubber Bands .. .. .		2 12 6
		Typewriter Ribbons .. .. .		0 2 6
	" 5	Other amounts, as per details .. ..		0 5 6
				10 5 0
		Balance in hand .. .. .		13 10 6
				6 9 6
£20 0 0				£20 0 0

### SUMMARY.

									£	s	d
Books and Stationery									2	5	0
Stamps .. .. .									5	10	0
Travelling .. ..									1	10	0
Cleaning .. .. .									0	15	0
Typewriter Account									1	10	0
Sundries .. .. .									2	6	0
									£13	10	6

These are posted by Journal entry to Ledger.

**LEDGER.**

### PETTY CASH ACCOUNT.

1901 Jan. 1	To Cash ..	C B 1	£ 20 s 0 d 0	1901 Jan. 31	By Sundries ..	J	£ 13 s 10 d 6
----------------	------------	----------	--------------------	-----------------	----------------	---	---------------------

*On Imprest System.*

## LEDGER.

Dr.		PETTY CASH.				Cr.	
Jan. 1	To Cash	..	£	s	d		£ s d
			20	0	0		

## PETTY CASH BOOK.

From  
Cashier*Payments.*

£	s	d	1901					£	s	d
20	0	0	Jan. 1	Cheque .. .. .	..	..	..			
			31	Amounts, as given in detail	..	..	..			
13	10	6	Feb. 1	Cheque .. .. .	..	..	..			13 10 6

## CASH BOOK.

*Payment Side only.*

				P	L	£	s	d	£	s	d
Jan. 31	By Petty Cash for payments during January										
	Books and Stationery	..	..	"		2	5	0			
	Stamps..	..	..	"		5	10	0			
	Travelling	..	..	"		1	10	0			
	Cleaning	..	..	"		0	15	0			
	Typewriter Sundries	..	..	"		1	10	0			
	Sundries	..	..	"		2	0	6			13 10 6

There are one or two more books which are very useful in a large business, and it would be well to understand their use.

First, we will take the Returns Books, called the Returns Book Inward and the Returns Book Outward respectively, the former being for all goods returned to us by a customer; the latter being for goods we return to the wholesale trader, and for which he should give us credit. As you will readily see, when a customer of ours returns goods, which either may not be up to sample or may be incorrect in description, we must credit

him ; and, in like manner, when we refuse to accept goods from our traders, we must debit them in the Ledger. Therefore the entries in the one book are all posted to debits, in the other to credits.

The books are added up, and at the end of the financial period the totals are carried to Goods Account or to Sales and Purchases respectively, the totals of Returns Inwards going to the debit of one of the accounts, the Returns Outwards in total going to the credit of Goods or Purchases. In making out the Profit and Loss Account, it is usual to deduct the returns from the Sales and Purchases respectively, as under :—

	£	s	d		£	s	d
Purchases .. ..	8,025	0	0	Sales .. ..	10,548	0	0
Less Returns ..	28	0	0	Less Returns ..	79	0	0
	<u>£7,997</u>	0	0		<u>£10,469</u>	0	0

*The Private Ledger.*—This Ledger is used for keeping the Capital Accounts in, and the Impersonal Accounts making up the Profit and Loss Accounts and Balance Sheets, which are generally written up in detail in the book named. As the book is used for these private purposes it is frequently kept by the proprietor himself, or by the secretary of a company, and often has a lock upon it to preserve its secrecy.

*Bill Books.*—These are kept for the purpose of reference, and contain the particulars of all bills given and taken, and show at a glance when they become due. This saves the trouble of entering the bill at once to the Bills Receivable or Bills Payable Account in the Ledger, as they can be entered in total monthly or less often. I give sketches of same :—



## THE CASH BOOK.

In the foregoing exercises I have assumed that the Cash Book was kept on the general principle of banking all moneys received and making payments by cheque, but there is another way of keeping cash that one sometimes comes across, and it is useful to know how it is worked. In this system all cash received is entered in Column 2 (see below). When any money is paid to bank an entry is made in Column 5 and another in Column 3. This is simple, if you remember that the entry is *Dr. Bank, Cr. Cash*. If cash is drawn from the bank the entry is made in Column 6 and another in Column 2, this being *Dr. Cash, Cr. Bank*. If a cheque is received, and paid direct to bank, only one entry is necessary in Column 3; and if a cheque is drawn to pay an account, only one entry is needed on the credit side in Column 6. I show some entries in the Cash Book below:—

Dr.		CASH BOOK.						Cr.	
		1	2	3			4	5	6
		Disct.	Cash	Bank			Disct.	Cash	Bank
			£ s d	£ s d				£ s d	£ s d
1901					1901				
Jan. 1	To Lewis		50 0 0		Jan. 3	By Bank	✓	150 0 0	
" 2	" Peters		100 0 0		" "	" Wages		10 0 0	
" 3	" Cash				" "	" Rent		5 0 0	
" "	" Sales		50 0 0		" 5	" Brooks			10 0 0
" 4	" Cash	✓		150 0 0	" 8	" Bank	✓	100 0 0	
" "	" Samuel				" "	" Cash	✓		20 0 0
" "	" & Co.		100 0 0						
" 5	" Lewis		50 0 0						
" "	" Cash	✓		100 0 0					
" 8	" Bank	✓	20 0 0						

There is no posting folio for these particular transfers from Cash to Bank, or *vice versâ*, but usually a tick is put to show that the folio has not been missed. This class of Cash Book is useful in the country, where business is, perhaps, some distance

from a bank. Notice that Bills Receivable and Payable should not be entered in the Cash Book direct. It is advisable that all the vouchers for payments made in a Cash Book should be in order, as it is a great help to the auditors, and a great nuisance if they are all about.

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### EXPENSES BOOK.

In making out accounts it is necessary to remember the fact that the Profit and Loss Account for a given period represents any expenditure incurred in that given period, and so with the Sales, &c. Expenses are usually entered in the Bought Journal, and either a summary made at the end of each month or other period, or the book is kept in columns, and the totals of the columns are posted to the debit of Nominal Accounts in the Ledger. In some businesses it is rather an advantage to keep the purchases (in the strict sense of the word, I mean goods bought to sell again) separately, and to have another book for expenses, called either the "Credit Book" or simply the "Expenses Journal." If the latter is kept in columns it will save a good deal of time and trouble, as the totals can be posted each month.

I give a suitable ruling for such a Credit Book :—





One advantage of having a book for this purpose separate from the purchases is that for the latter it is advisable to give a large amount of detail of each invoice, and if a whole page is occupied with one invoice, as it sometimes is, the other columns are wasted.

---

### CONSIGNMENT ACCOUNTS.

Consignment Accounts are not quite in the category of Elementary Bookkeeping Accounts, but a question is often set in examination papers, and it is as well to be prepared for such a contingency. When we consign goods to a man it is not a sale, because he has to sell them, and if he cannot he may return them. It is generally a question of agency, the man to whom the goods are consigned or sent acting as our agent, and he must account to us. We will suppose that we consign to H. Pratt on the 1st April 1900 goods amounting to £500. We must credit the person from whom we get the goods, but we cannot debit Pratt until we know what the goods realise, so we open an account marked "Consignment," or "Consignment to Pratt," and debit it with the value of the goods. We pay expenses amounting to £20, which we debit the Consignment Account with, and on the 1st May we receive an Account Sales, or a statement showing what he has sold, from Pratt. The account shows that the goods realised £680, but he has paid expenses £20, and his commission is £35. We therefore debit Pratt and credit the Consignment Account with the £680, and credit him and debit the Consignment Account with the expenses and commission.

When he sends cash we credit him with the cash. There should be no difficulty about the accounts, as they are all very similar.

## LEDGER ACCOUNT.

<i>Dr.</i>	CONSIGNMENT TO PRATT.				<i>Cr.</i>		
1900	£	s	d	1900	£	s	d
April 1.—To Goods ..	500	0	0	May 1.—By Pratt ..	680	0	0
„ Cash Ex-							
penses	20	0	0				
May 1. „ Pratt Ex-							
penses	20	0	0				
„ Pratt Com-							
mission	35	0	0				
„ Profit and							
Loss ..	105	0	0				
	<u>£680</u>	<u>0</u>	<u>0</u>		<u>£680</u>	<u>0</u>	<u>0</u>

## PRATT.

1900	£	s	d	1900	£	s	d
May 1.—To Consign-				May 1.—By Expenses	20	0	0
ment A/c ..	680	0	0	„ Commission	35	0	0
				„ 30. „ Cash ..	625	0	0
	£680	0	0		£680	0	0

## CASH.

1900	£	s	d	1900	£	s	d
May 30.—To Pratt. Con-				April 1.—By Consign-			
signment	625	0	0	ment Ex-			
				penses ..	20	0	0

## PROFIT AND LOSS ACCOUNT.

1900	£	s	d
May 1.—By Consign-			
ment A/c..	105	0	0

## GOODS ACCOUNT.

1900	£	s	d
April 1.—By Consign-			
ment to Pratt	500	0	0

## EXERCISES IN BOOKKEEPING.

### Exercise I.

J. Spratt opens a business on January 1 1901, with the following assets and liabilities:—

<i>Assets.</i>			
Cash at Bank ..	..	..	£1,000 0 0
Bills Receivable ..	..	..	250 0 0
Goods on hand ..	..	..	1,500 0 0
<i>Liabilities.</i>			
Due to J. Salmon ..	..	..	200 0 0
Bills Payable ..	..	..	500 0 0

His transactions during January are:—

Jan. 2	Bought Goods from Plaice & Co.	..	£100 0 0
3	Sold Goods to Turbot Bros...	..	250 0 0
4	Paid Wages ..	..	20 0 0
5	Received Cash Sales ..	..	15 0 0
6	Bought Goods from Plaice & Co.	..	1,000 0 0
7	Accepted Plaice & Co.'s Draft	..	1,100 0 0
8	Sold Goods to T. Shrimp ..	..	120 0 0
9	Paid Bills Payable ..	..	500 0 0
10	Paid J. Salmon ..	..	200 0 0
11	Sold Goods to Hake & Son ..	..	1,200 0 0
14	Bought Goods for Cash ..	..	200 0 0
15	Received Cash for Bills Receivable	..	250 0 0
16	Paid for Stationery ..	..	10 0 0
17	Drew Cheque for Petty Cash	..	5 10 0
25	Bought Machinery ..	..	120 0 0
28	Bought Tools from Silver & Co.	..	18 10 0
31	Sold part of Machinery for ..	..	20 0 0
<hr/>			
	Stock at Date ..	..	£120 0 0
	Rent due to Prout ..	..	15 0 0

The student is required to enter the accounts in the Ledger only, prepare trial balance and Profit and Loss Account and Balance Sheet.

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### Exercise II.

Exercise I. is to be entered in the proper books of account, and trial balance prepared.

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### Exercise III.

Write up Smith & Co.'s Cash Book from the following entries:—

1900				£	s	d
Jan. 1	Cash at Bank	..	..	..	1,200	0 0
	Cash in Hand	..	..	..	150	0 0
2	Received Cash from Green Bros.	..	..	..	200	0 0
3	Paid Wages by Cash	..	..	..	10	0 0
4	Paid Rates	..	..	..	15	0 0
5	Received Cheque from Starples & Co.		..	..	150	0 0
6	Paid Cash to Bank	..	..	..	300	0 0
7	Received Cash for Bills Discounted		..	..	1,500	0 0
8	Bank Charges as per Pass Book	..	..	..	10	0 0
9	Paid Jones and Lewis	..	..	..	100	0 0
10	Drew Cheque for Machinery	..	..	..	150	0 0
11	Received Cash from T. Sapiens	..	..	..	1,000	0 0
12	Paid Cash to Drew Bros.	..	..	..	150	0 0
13	Paid Cash to Bank	..	..	..	650	0 0
14	Drew Cash from Bank for Private Use	..	..	..	150	0 0

---

### Exercise IV.

From the trial balance prepare Profit and Loss Account and Balance Sheet as at December 31 1900.

## TRIAL BALANCE.—31 December 1900.

		Drs.			Crs.		
		£	s	d	£	s	d
John Fellows' Capital Account	..				1,500	0	0
Interest Account ..	..	50	0	0			
Rent of Warehouse ..	..	25	0	0			
Rates and Taxes ..	..	10	0	0			
Machinery and Plant ..	..	1,000	0	0			
Sundry Debtors ..	..	2,000	0	0			
Bills Receivable ..	..	150	0	0			
Sundry Creditors ..	..				1,200	0	0
Bankers ..	..				100	0	0
Business Premises ..	..	2,000	0	0			
Loan on Mortgage ..	..				1,500	0	0
Interest on Loan ..	..	25	0	0			
Wages.. ..	..	1,500	0	0			
Stock at Jan. 1 1900 ..	..	250	0	0			
Salaries ..	..	350	0	0			
Bills Payable ..	..				500	0	0
Loose Tools ..	..	50	0	0			
Cash in Hand ..	..	50	0	0			
Books and Stationery ..	..	25	0	0			
Office Expenses ..	..	35	0	0			
Sales ..	..				4,820	0	0
Purchases ..	..	2,100	0	0			
		£9,620	0	0	£9,620	0	0

## Exercise V:

Journalise the following transactions of H. Frame during January 1901:—

1901					
Jan. 1	Sold Goods to L. Simes ..	..	£100	0	0
2	Bought Goods from T. Pretty ..	..	250	0	0
4	Bought Goods from T. James ..	..	1,500	0	0
5	Sold Goods to L. Lion ..	..	300	0	0
6	Accepted T. James' Draft ..	..	1,000	0	0
7	Received Bill from L. Lion ..	..	300	0	0
8	Paid Rent ..	..	50	0	0

Jan. 9	Received Account from Simpson Bros., for Books .. .. .	25 0 0
10	Received Letter from Lion enclosing cheque for .. .. . (to pay bill)	300 0 0
11	Goods Bought from T. James credited in error to T. Jones .. ..	250 0 0
12	Received Cash for Debt due by F. Plant, being 10s. in the £ .. .. (Write off remainder to Bad Debt.)	250 0 0

---

### Exercise VI.

Show how to deal with Petty Cash items as follows:—

On Jan. 31 1901 drew Cheque for Petty Cash, £50.

Feb. 28 1901 the Expenses for the Month were:—

Stamps .. .. .	£15 0 0
Cleaning .. .. .	5 0 0
Stationery .. .. .	5 4 0
String .. .. .	2 0 0
Elastic Bands, &c. .. ..	0 5 0
Duplicating Paper .. ..	0 10 0
Stencils .. .. .	0 5 0
Ink .. .. .	0 10 0

---

### Exercise VII.

From the following transactions write up the books and prepare Profit and Loss Account:—

THOS. TABLE, 31 December 1899.

<i>Liabilities.</i>		<i>Assets.</i>	
Unpaid Rates ..	£10 0 0	Tools .. ..	£150 0 0
J. Deal .. ..	150 0 0	Fixtures, &c. ..	40 0 0
		Horses, Carts, &c.	20 0 0
		Stock .. ..	150 0 0
		W. Bench .. ..	140 0 0
		Cash at Bank ..	150 0 0

1900					
Jan. 1	Paid Rates	..	..	£10	0 0
	Received Cash from Bench	..	..	140	0 0
2	Sold Goods to L. Oak	..	..	20	0 0
3	Bought Timber from Deal	..	..	120	0 0
	Paid Deal	..	..	200	0 0
	Bought Tools for Cash	..	..	10	0 0
4	Sold Goods to F. Elm	..	..	50	0 0
	Cash Sales for week	..	..	10	0 0
	Bought New Cart from J. Ash	..	..	25	0 0
20	Paid Rent	..	..	10	0 0
21	Paid Wages	..	..	15	0 0
22	Sold Goods to Lever & Co.	..	..	115	0 0

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Goods in hand, £150.

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### Exercise VIII.

Show how you would deal with the following items:—

- 1901
- Jan. 12 Goods debited in error to Lewis Brown should be Lewis Brook, £50.
- 13 Bill Receivable due by Jackson returned dishonoured, £300.
- 14 Bank advise they have discounted Bill for £500.
- 15 Goods returned to L. Parpit as unfit for use, £200
- 16 L. Simson sends back Goods as being unfit for use, £100.
- 17 L. Graham stated that £50 due by him was paid by his father in error and credited to his father.
- 20 Cash Purchase of Tools should have been purchase from R. Joiner, Tools, £50.
- 31 Discounts allowed by Firm, £20.  
(In Cash Book to customers.)

**Exercise IX.**

On the 1st January 1901 Charles Oliver ascertained that his affairs were as follows:—

<i>Assets.</i>				<i>Liabilities.</i>			
Cash at Bank	..	£1,000	0 0	Loan	..	£1,000	0 0
Bills Receivable	..	50	0 0	Creditors :			
Buildings	..	2,500	0 0	T. Soap	..	250	0 0
				L. French	..	300	0 0
				Bills Payable	..	1,500	0 0

His transactions for the following fortnight were:—

Jan. 2	Bought goods from T. Soap	..	£300	0 0
3	Bought goods from L. French	..	550	0 0
4	Sold goods to Rippin Bros. ..	..	680	0 0
5	Paid Rent .. ..	..	50	0 0
6	Paid Rates .. ..	..	10	0 0
7	Paid Bills Payable ..	..	1,000	0 0
8	Paid to French .. ..	..	200	0 0
9	Sold goods to Rippin Bros. ..	..	240	0 0
10	Received cheque from Rippin	..	500	0 0
11	Drew for Private Uses ..	..	250	0 0
12	Lost part of Buildings by Fire (not insured fully) Insurance for £250	..	500	0 0

Make out Profit and Loss Account and Balance Sheet as at 31st January 1901.

**Exercise X.**

The following figures are given you as a trial balance of Allen & Co. at 30th June 1900:—

	<i>Drs.</i>	<i>Crs.</i>
Sales .. ..		£8,400 0 0
Purchases .. ..	£2,100 0 0	
Machinery .. ..	1,000 0 0	
Tools and Plant .. ..	500 0 0	
Buildings .. ..	5,000 0 0	
Loan on Mortgage .. ..		2,500 0 0
Bankers .. ..		1,000 0 0



Printing and Stationery, etc.	..	..	50	0	0		
Wages	..	..	1,550	0	0		
Repairs	..	..	20	0	0		
Salaries	..	..	250	0	0		
Stock at Jan. 1900	..	..	4,500	0	0		
Discounts	..	..				25	0 0
Rates and Taxes	..	..	50	0	0		
Coal and Gas	..	..	26	0	0		
Carriage and Hauling	..	..	150	0	0		
General Expenses	..	..	125	0	0		
Patents	..	..	80	0	0		
Wood Blocks for Printing, etc.	..	..	20	0	0		
Capital—H. Allen	..	..				832	0 0
„ J. Allen	..	..				1,664	0 0
			£15,421	0	0	£15,421	0 0

You are required to write off depreciation from the following:—

Machinery ..	..	5 per cent. per annum
Tools and Plant ..	..	10 „ „
Patents ..	..	20 „ „
Blocks ..	..	50 „ „

and to credit partners with interest at 5 per cent. per annum.

Make out a Profit and Loss Account and Balance Sheet. The profit is to be divided as follows:—

H. Allen,  $\frac{1}{3}$ th.  
J. Allen,  $\frac{2}{3}$ ths.

### Exercise XI.

Enter the following transactions in the books of J. Slader and T. Harten, respectively.

On January 1 Slader consigns to T. Harten the following goods:—

			£	s	d
1 Dozen barrels Apples @ 5s. ..	..	..	3	0	0
2 „ „ „ „ @ 10s. ..	..	..	12	0	0
5 Tons of Potatoes @ £4 per ton ..	..	..	20	0	0
150 Bundles Asparagus @ 2s. ..	..	..	15	0	0

J. Slader pays carriage amounting to £5, cartage 30s., sundry charges £2. Harten pays for rent of warehouse £3, general charges 30s. On the 1st March Harten sends Account Sales, showing the goods realised £88, his commission being £8. On the 31st March Harten sends cheque for the balance.

**Exercise XII.**

On January 1 1901 W. Lewis and T. Williams started business with the following assets and liabilities:—

<i>Liabilities.</i>				<i>Assets.</i>			
Williams. Capital	..	£1000		Cash .. .. .	..	£500	
Lewis.       "	..	500		Goods       ..	..	750	
Bills Payable	..	500		J. Shrimpton	..	200	
				Bills Rec.   ..	..	550	

T. Williams was to have two-thirds and Lewis one-third of the profits. Both partners were to have 5 per cent. interest on capital, and were to be charged 5 per cent. on all money drawn over a specified sum by each partner—viz., Williams £300, Lewis £200.

On June 30 the following trial balance was prepared:—

You are required to make up the accounts from the information given, and make out Profit and Loss Account and Balance Sheet.

**TRIAL BALANCE.**  
**WILLIAMS AND LEWIS.**

	£	s	d	£	s	d
T. Williams. Capital .. ..				1,000	0	0
H. Lewis.       " .. ..				500	0	0
Bills Payable   .. .. .				250	0	0
Cash       .. .. .	610	0	0			
Sales       .. .. .				6,850	0	0
Purchases .. .. .	3,420	0	0			
Wages       .. .. .	500	0	0			
Drawings. Williams' .. ..	120	0	0			
"       Lewis   .. ..	150	0	0			
Debtors   .. .. .	3,200	0	0			
Rent, Rates, &c. .. ..	55	0	0			
Books and Stationery ..	25	0	0			
Printing and Advertising ..	15	0	0			
Stock       .. .. .	750	0	0			
Creditors   .. .. .				1,050	0	0
Carriage   .. .. .	110	0	0			
Insurance .. .. .	50	0	0			
Salaries   .. .. .	550	0	0			
Insurances in advance ..	40	0	0			
Bad Debts   .. .. .	55	0	0			
	£9,650	0	0	£9,650	0	0

## DEFINITIONS.

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*Acceptance.*—See Bill of Exchange.

*Assets.*—Possessions, Property.

*Bill of Exchange.*—An Order promising to pay a certain amount in a specified time.

*Capital.*—The Excess of Assets over Liabilities.

*Discount.*—A deduction or allowance from an Account.  
Notice Trade Discount is deducted at once, Cash Discount only when Cash is paid.

*Debentures.*—From Latin, "*Debeo*," I owe—merely moneys owing to holders.

*Dividend.*—A form of interest on money invested.

*Draft.*—Another word for Bill of Exchange.

*E. & O. E.*—Errors and omissions excepted.

*I O U.*—Simply means, I Owe You—an acknowledgment.

*Lease.*—Tenure of Property for a fixed period.

*Liabilities.*—Moneys due to Persons.

*Mortgage.*—Charge on Property.

*Mortgage Debentures.*—Money owing to holders who are secured by mortgage.

*Nominal Account.*—Account representing Expenses or Receipts.

*Personal Account.*—Account in name of person.

*Promissory Note.*—A Bill or promise to pay.

*Reserve Fund.*—Part of Profit transferred to a separate Account.

*Real Account.*—Account representing Property.

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